

CollegeCounts 529 Fund

Morningstar Analyst Rating

Top
Above Average
Average
Below Average
Bottom

Analysis by Kailin Liu 10-11-2011

Alabama's direct- and advisor-sold CollegeCounts 529 plans have built up a compelling menu of investments, but fees dim their appeal.

Both plans offer Conservative, Moderate, and Aggressive age-based tracks, with asset allocations designed jointly by program manager Union Bank & Trust and consultant Wilshire Associates. However, the Moderate options' equity allocations are higher than the industry average. The options don't start rolling down equity until age 8, a few years later than many competitors, giving college savers extra time early on to benefit from stocks' potential for gains (though greater volatility is a risk as well). After age 8, the glide path hews closer to the industry average. Nonetheless, the Moderate track does have more equity over its life than the industry average, so cautious investors may prefer the Conservative track. Elsewhere, both plans offer static allocation options that vary from zero to 100% equity, in increments of 20%.

Beneath the shell of the allocation designs, the underlying funds are one of the plan's strongest features. In the advisor-sold plan, PIMCO Total Return, T. Rowe Price Real Estate, and Lazard Emerging Markets Equity are among the strategies represented. To offset active management risk, the advisor-sold plan keeps approximately 40% of assets of the age-based assets in index funds. In the direct-sold plan, the age-based and static options use a mix of a Vanguard index fund, an actively managed TIPS fund, and a money market fund. Both plans offer a number of marquee active asset managers through individual fund options.

Fees are a weak point. Advisor-sold age-based and static options cost between 0.44% and 1.31% for A shares and 0.44% and 1.56% for C shares, making this a relatively expensive advisor-sold plan. That's especially unfortunate given the options' significant weighting in index funds, which often cost a fraction of actively managed funds. Investors do get a break, however, with the plan's 3.50% front-end load, which is markedly lower than the initial charge at many other plans. The direct-sold plan is priced more reasonably, from 0.33% to 0.35% for age-based options. It is slightly pricier than Vanguard age-based options available in other states, but offers active individual fund options, unlike the cheapest Vanguard plans. In both cases, Alabama's \$5,000 (\$10,000 for married couples filing jointly) state income tax deduction for contributions provides a strong incentive to invest in-state.

All told, both the advisor-sold and direct-sold options are good choices for Alabama residents. For those who place a premium on open architecture, this is one of the stronger advisor-sold open-architecture plans. Otherwise, comparably strong and less expensive options can be found elsewhere.

| | |
|---|--|
| Web Address | www.collegecounts529.com |
| Program Manager | Union Bank & Trust Company (Lincoln, NE) |
| Trustee | Board of Trustees of CollCounts 529 Fund |
| Advisor Sold | Resident and non-resident |
| Direct Sold | Resident and non-resident |
| Fee Range (Age-based) | 0.33-1.56 |
| Minimum Initial Investment | \$0 |
| Annual State Tax Deduction (per Taxpayer) | Single filing up to \$5,000 Joint filing up to \$10,000 |

Plan Options

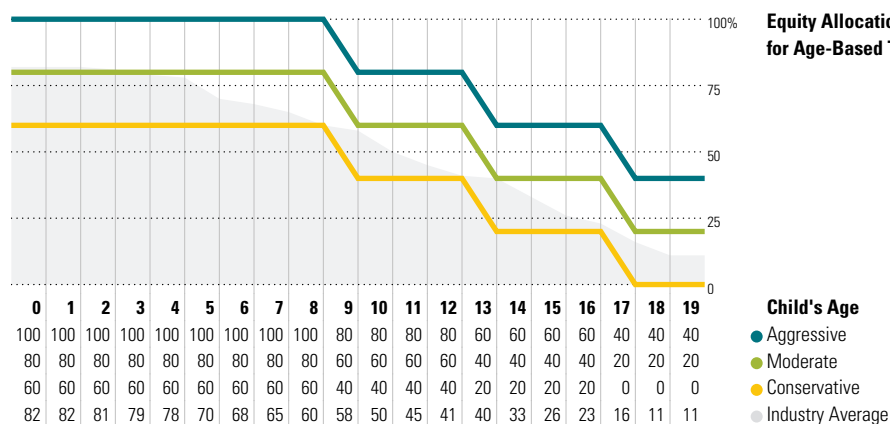
Age-Based Tracks: 3

Static Portfolios/Funds: 50

Issuing State

Alabama

Equity Allocation % for Age-Based Tracks



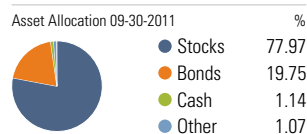
Plan Option Overview 09-30-2011

| Option Name | Overall Star Rating | Current Equity % | Total Fees % | Fee Level | YTD | | 3-Year | | 5-Year | |
|---|------------------------|---------------------|-----------------|--------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | | | | | Total Rtn % | Cat Rank % | Total Rtn % | Cat Rank % | Total Rtn % | Cat Rank % |
| ● Aggressive | | | | | | | | | | |
| AL CollCounts Age-Based Agg 0-8 | — | 98.34 | 0.34 | - Avg | -12.05 | 38 | — | — | — | — |
| AL CollCounts Adv Age-Based Agg 0-8 A | — | 96.80 | 1.31 | + Avg | -12.17 | 39 | — | — | — | — |
| AL CollCounts Age-Based Agg 9-12 | — | 77.97 | 0.34 | - Avg | -8.14 | 26 | — | — | — | — |
| AL CollCounts Adv Age-Based Agg 9-12 A | — | 60.96 | 1.26 | Avg | -8.68 | 36 | — | — | — | — |
| AL CollCounts Age-Based Agg 13-16 | — | 57.94 | 0.33 | - Avg | -4.26 | 33 | — | — | — | — |
| AL CollCounts Adv Age-Based Agg 13-16 A | — | 37.38 | 1.22 | + Avg | -5.27 | 53 | — | — | — | — |
| AL CollCounts Age-Based Agg 17-20 | — | 38.04 | 0.33 | - Avg | -0.47 | 19 | — | — | — | — |
| AL CollCounts Adv Age-Based Agg 17-20 A | — | 22.17 | 1.17 | Avg | -2.09 | 44 | — | — | — | — |
| AL CollCounts Age-Based Agg 21+ | — | 19.44 | 0.33 | - Avg | 2.52 | 7 | — | — | — | — |
| AL CollCounts Adv Age-Based Agg 21+ A | — | 10.65 | 1.09 | + Avg | 0.78 | 23 | — | — | — | — |
| ● Moderate | | | | | | | | | | |
| AL CollCounts Age-Based Mod 0-8 | — | 77.97 | 0.34 | - Avg | -8.14 | 34 | — | — | — | — |
| AL CollCounts Adv Age-Based Mod 0-8 A | — | 60.96 | 1.26 | Avg | -8.68 | 39 | — | — | — | — |
| AL CollCounts Age-Based Mod 9-12 | — | 57.94 | 0.33 | - Avg | -4.26 | 26 | — | — | — | — |
| AL CollCounts Adv Age-Based Mod 9-12 A | — | 37.38 | 1.22 | Avg | -5.27 | 40 | — | — | — | — |
| AL CollCounts Adv Age-Based Mod 13-16 A | — | 22.17 | 1.17 | Avg | -2.09 | 44 | — | — | — | — |
| AL CollCounts Age-Based Mod 13-16 | — | 38.04 | 0.33 | - Avg | -0.47 | 19 | — | — | — | — |
| AL CollCounts Adv Age-Based Mod 17-20 A | — | 10.65 | 1.09 | Avg | 0.78 | 52 | — | — | — | — |
| AL CollCounts Age-Based Mod 17-20 | — | 19.44 | 0.33 | - Avg | 2.52 | 4 | — | — | — | — |
| AL CollCounts Adv Age-Based Mod 21+ A | — | 0.00 | 0.95 | + Avg | 2.19 | 31 | — | — | — | — |
| AL CollCounts Age-Based Mod 21+ | — | 0.00 | 0.34 | - Avg | 3.59 | 22 | — | — | — | — |
| ● Conservative | | | | | | | | | | |
| AL CollCounts Adv Age-Based Con 0-8 B | — | 37.38 | 0.97 | - Avg | -5.84 | 85 | — | — | — | — |
| AL CollCounts Age-Based Con 0-8 | — | 57.94 | 0.33 | - Avg | -4.26 | 46 | — | — | — | — |
| AL CollCounts Age-Based Con 9-12 | — | 38.04 | 0.33 | - Avg | -0.47 | 26 | — | — | — | — |
| AL CollCounts Adv Age-Based Con 9-12 A | — | 22.17 | 1.17 | Avg | -2.09 | 52 | — | — | — | — |

Current Equity % is as-of the most recent portfolio date available. For Category Rank %, 1 = highest rank, 100 = lowest rank.

Moderate Highlights 09-30-2011

AL CollCounts Age-Based Mod 0-8



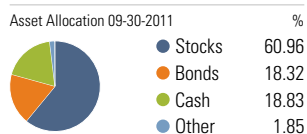
| | |
|--------------------|--------|
| Top Asset Managers | % |
| Vanguard | 100.00 |

529 Category
Age 0-6 Medium Equity

Return vs Category

Risk vs Category

AL CollCounts Adv Age-Based Mod 0-8 A



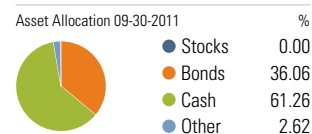
| | |
|--------------------|-------|
| Top Asset Managers | % |
| Northern Funds | 37.09 |
| T. Rowe Price | 15.79 |

529 Category
Age 0-6 Medium Equity

Return vs Category

Risk vs Category

AL CollCounts Adv Age-Based Mod 21+ A



| | |
|--------------------|-------|
| Top Asset Managers | % |
| Northern Funds | 19.00 |
| PIMCO | 18.93 |

529 Category
Age 19+ Low Equity

Return vs Category

Risk vs Category